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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

1993 Annual Access Tariff Filing	)	CC Docket No. 93-193
U S WEST Communications, Inc.	)	Transmittal No. 345
Tariff F.C.C. Nos. 1 and 4	)	Transmittal No. 369

DIRECT CASE

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July 27, 1993

TABLE OF CONTENTS

SUMMARY

In this Direct Case, U S WEST Communications, Inc. ("U S WEST") demonstrates that OPEB costs (i.e., TBO) should be treated exogenously under price cap regulation and that all other aspects of Transmittal Nos. 345 and 369 are just and reasonable. U S WEST's Direct Case shows that costs associated with the TBO satisfy the Commission's two-pronged test for exogenous cost treatment. That is, U S WEST has shown that TBO costs satisfy both the "control" and "double counting" standards established by the Commission.

U S WEST also responds to Commission inquiries on U S WEST's exogenous treatment of DEM. U S WEST has fully complied with Commission price cap and separations rules in calculating its exogenous cost adjustment for DEM. U S WEST presents evidence that access customers have received interstate rate reductions in excess of interstate cost reductions associated with the DEM transition. The net result of U S WEST's DEM methodology is that interstate rates have been reduced earlier and to a greater extent than would have been anticipated under the Commission's price cap rules.

U S WEST has presented sufficient evidence in its Direct Case to demonstrate that neither rejection nor suspension of Transmittal Nos. 345 and 369 is warranted. As such, the Commission should terminate its tariff investigation and allow Transmittal Nos. 345 and 369 to remain in effect as filed.

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DIRECT CASE

U S WEST Communications, Inc. ("U S WEST"), through counsel and pursuant to the Federal Communications Commission's ("Commission") Memorandum Opinion and Order Suspending Rates and Designating Issues for Investigation,[1] hereby files its Direct Case on Transmittal Nos. 345 and 369, U S WEST's Annual Access and General Support Facility ("GSF") tariff filings.

I. INTRODUCTION

U S WEST filed Transmittal No. 345 to revise its access charge rates beginning July 1, 1993, in compliance with the Commission's Price Cap,[2] Cost Support,[3] and OPEB

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[1]In the Matter of 1993 Annual Access Tariff Filings

Orders.[4] Transmittal No. 345 contains revisions to U S WEST's price cap indices ("PCI") and service band indices ("SBI") including exogenous cost changes associated with the Transition Benefit Obligation ("TBO") arising from the adoption of Statement of Financial Accounting Standards ("SFAS") No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" ("OPEB"). U S WEST filed Transmittal No. 369 to reallocate GSF costs in compliance with the Commission's GSF Order.[5]

On June 23, 1993, the Commission suspended U S WEST's rates in Transmittal Nos. 345 and 369 for one day and initiated an investigation.[6] The Commission designated numerous issues for investigation[7] and directed U S WEST to file its Direct Case on July 27, 1993.[8]

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[4]Treatment of Local Exchange Carrier Tariffs Implementing Statement of Financial Accounting Standards, "Employers Accounting for Postretirement Benefits Other Than Pensions," Bell Atlantic Tariff F.C.C. No. 1; US West Communications, Inc. Tariff F.C.C. Nos. 1 and 4; Pacific Bell Tariff F.C.C. No. 128, CC Docket No. 92-101, Memorandum Opinion and Order, 8 FCC Rcd. 1024 (1993) ("OPEB Order"), appeals pending sub nom. Southwestern Bell Tel. Co., et al., v. F.C.C., No. 93-1168 (D.C. Cir. pet. for rev. filed Feb. 19, 1993).

[5]In the Matter of Amendment of the Part 69 Allocation of General Support Facility Costs, Report and Order, 8 FCC Rcd. 3697 (1993) ("GSF Order").

[6]Suspension Order at ¶ 3.

[7]Id. at ¶¶ 105-110.

[8]Id. at ¶ 112.

II. ISSUES DESIGNATED FOR INVESTIGATION/INFORMATION REQUESTS

Issue

Has U S WEST borne its burden of demonstrating that implementing SFAS-106 results in an exogenous cost change for the TBO amounts under the Commission's price cap rules?

Response

U S WEST believes that it has presented sufficient evidence in Transmittal No. 345 and its Reply to Petitions to Reject or Investigate and Suspend Transmittal No. 345[9] and in earlier filings on OPEB[10] to demonstrate that TBO amounts associated with the implementation of SFAS-106[11] should be treated as

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[9]See USWC Tariff F.C.C. Nos. 1 and 4, Trans. No. 345, filed Apr. 2, 1993; USWC Reply to Petitions to Reject or, in the Alternative, Suspend and Investigate, Trans. No. 345, filed May 11, 1993 (accompanied by a Request for Acceptance of Late-Filed Reply) ("U S WEST Trans. 345 Reply").

[10]See USWC Tariff F.C.C. Nos. 1 and 4, Trans. No. 246, filed Apr. 3, 1992; U S WEST Direct Case, CC Docket No. 92-101, filed June 1, 1992 ("U S WEST 92-101 Direct Case"); U S WEST Rebuttal, CC Docket No. 92-101, filed July 31, 1992.

[11]SFAS-106 requires that businesses use an accrual method of accounting for postemployment benefit costs rather than using a "pay-as-you-go" approach to account for these costs, as U S WEST and other companies have done in the past. SFAS-106 also requires that companies recognize the TBO -- the liability associated with benefits earned by both retirees and current employees prior to the adoption of SFAS-106. SFAS-106 allows companies to recognize the TBO by expensing it at the time of adoption or amortizing it over a period of no more than 20 years. On December 26, 1991, the Commission issued an Order authorizing all carriers to adopt SFAS-106 on or before January 1, 1993, using the amortization method of recognizing the TBO. See Southwestern Bell, GTE Service Corporation - Notification of

exogenous costs under the Commission's price cap rules.[12]

The Commission has established a two-pronged test to determine whether an expense such as TBO qualifies for exogenous cost treatment under price cap regulation.[13] A local exchange carrier ("LEC") must first show that the costs in question are not within its control. Once this threshold test has been met, a LEC must then show that the costs are not reflected in the price cap formula (i.e., no double counting).[14] U S WEST believes that it has satisfied both requirements with respect to the TBO amortization.

The Commission has recognized that LECs had no control over the change to accrual accounting as required by SFAS No. 106.[15] U S WEST believes that the fact that it had no control over the Generally Accepted Accounting Principles ("GAAP") change which resulted in the TBO is sufficient to meet the "control" test for price cap purposes. Furthermore, the TBO amortization is the product of past commitments which were not represented in initial

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[11](...continued) adopt accounting standards prescribed by the Financial Accounting Standards Board ("FASB") such as SFAS-106. See 47 C.F.R. § 32.16(a).

[12]Price Cap Order, 5 FCC Rcd. at 6807 ¶ 166, "Exogenous costs are in general those costs that are triggered by administrative, legislative or judicial action beyond the control of the carriers."

[13]See OPEB Order, 8 FCC Rcd. at 1033 ¶ 52.

[14]Id.

[15]Id. at ¶ 53.

price cap rates.[16] The only possible "control" issue is whether U S WEST has any "control" over TBO costs on a going-forward basis. U S WEST can modify its TBO costs only by abandoning or drastically cutting retiree benefits[17] -- and even this is quite limited.[18]

The second prong of the Commission's test for exogenous cost treatment addresses the issue of double counting. As initially described, this test focused on whether the cost change in question was reflected in the Gross National Product Price Index ("GNP-PI").[19] Since then, opponents have asserted and the Commission has implied that the "double counting" issue extends far beyond any impact on GNP-PI.[20] While it is possible to fashion a "double counting" test that is impossible to meet, U S WEST believes that by any reasonable standard it has demonstrated that no double counting exists in its TBO estimate.

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[16]The TBO represents a real cost that would have been represented in U S WEST's pre-price cap rates if SFAS No. 106 had been in effect.

[17]U S WEST's current TBO estimate already assumes that employees will pay for 50 percent of all medical cost inflation.

[18]See Attachment 2 hereto, Exhibits D and G.

[19]See LEC Price Cap Recon. Order, 6 FCC Rcd. at 2664-65 ¶ 63.

[20]In its Suspension Order the Commission referenced other potential areas of double counting, including: "the intertemporal double counting issue; double counting related to the inclusion of costs in the prescription of the rate of return which determined the initial price cap rate; and the anticipation of SFAS-106 costs in the studies underlying the productivity factors." Suspension Order at ¶ 29.

The original Godwins Study[21] in combination with Godwins' Additional Sensitivity Analysis[22] clearly show that price cap LECs are disproportionately affected by the TBO and that only a very small portion of the TBO is reflected in the GNP-PI. Furthermore, U S WEST believes that virtually all "intertemporal double counting" of any significance can be removed through the annual true-up process which it proposed earlier.[23] The claim that LECs have failed to eliminate "double counting" reflected in the rate of return used in establishing initial price cap rates is without merit. This argument is based on the implausible premise that the Commission's 1990 rate of return prescription assumed that price cap LECs would not be allowed to recover OPEB costs. The fact that the Commission prescribed the same rate of

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[21]The United States Telephone Association ("USTA") selected Godwins, Inc. to perform a study to determine the extent to which the impact of SFAS No. 106 would be reflected in the Commission's price cap mechanism and, thereby, enable price cap carriers to recover additional costs incurred as a result of adopting SFAS No. 106. The study was divided into two parts: an actuarial analysis and a macroeconomic analysis. The actuarial analysis covered all price cap LECs, including USWC. (These carriers had revenues of $82.5 billion in 1990 and employed approximately 613,000 employees and provided benefits to another 294,000 retired employees.) Data from these companies was used to construct a composite company reflecting the characteristics of the industry as a whole. The macroeconomic analysis analyzed the impact of SFAS No. 106 on the economy as a whole to determine the extent to which GNP-PI would be affected by SFAS No. 106. This analysis considered both the direct impact of SFAS No. 106 costs and the indirect impact on average wage rates.

[22]See USWC Tariff F.C.C. Nos. 1 and 4, Trans. No. 345, Section 6, Atts. 4 and 5.

[23]U S WEST 92-101 Direct Case at 6-7; Southwestern Bell Transmittal No. 2271, filed April 2, 1993, at 3-11; GTE System Telephone Companies, Transmittal No. 38, filed April 3, 1993, at 18.

return for both rate of return and price cap LECs indicates just the opposite -- that is, OPEB would be given exogenous treatment under price cap regulation.[24]

U S WEST believes that it has fully met its burden of proof with respect to the control and double counting issues and has demonstrated that TBO costs should be treated exogenously under the Commission's price cap rules.

Information Request

> We direct U S WEST to provide evidence of and describe the ranges of data on the age of the workforce, the ages at which employees will retire, and the length of service of retirees presented by its actuaries and used by U S WEST to compute OPEB amounts claimed in Transmittal No. 345.

Response

The requested information is contained in two exhibits in Attachment 1 hereto and in the following response. Exhibit 1 contains data on U S WEST's work force by age and years of service. Exhibit 1 shows that the average age of U S WEST's employees is 42.5 and these employees have been employed by U S WEST for an average of 17.0 years. Exhibit 2 shows the expected

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[24]An even more far fetched claim is the contention that "double counting" is represented in the Commission's selection of a productivity factor for the price cap formula. U S WEST has presented no evidence on this issue because it is all but impossible to determine how the Commission "would have weighed" SFAS No. 106 costs in determining a productivity factor. See Suspension Order at ¶ 11. This would be an exercise in futility. The fact is that U S WEST's TBO costs were not reflected in pre-price cap rates and, as such, not reflected in productivity studies.

retirement rates for U S WEST's work force by sex, age, and years of service. Lastly, the average length of service of current retirees is 31.7 years.

Information Request

> We direct U S WEST to provide pertinent sections of its employee handbooks, contracts with unions, and other items that include statements to the employees concerning U S WEST's ability to modify its post-employment benefits package.

Response

See Attachment 2 hereto.

Issue

> How should price cap LECs reflect amounts from prior year sharing or low-end adjustments in computing their rates of return for the current year's sharing and low-end adjustments to price cap indices?

Response

The Commission's price cap rules limit sharing and low-end adjustments to a single year.[25] As such, U S WEST believes that it is inappropriate to adjust any given year's earnings (i.e., by

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[25]In discussing sharing in its original LEC Price Cap Order, the Commission was quite clear as to its intent in adopting a sharing mechanism:

> Furthermore, the sharing mechanism operates only as a one-time adjustment to a single year's rates, so a LEC would not risk affecting future earnings, as it would in the case of the stabilizer we had previously considered.

LEC Price Cap Order, 5 FCC Rcd. at 6803 ¶ 136.

"adding back") to determine whether a sharing or low-end adjustment is required for the upcoming year. Adjusting current rates of return for prior year sharing or low-end adjustments would be a substantive change in the Commission's price cap rules and is not permitted without conducting a rulemaking.[26]

<u>Issue</u>

Does U S WEST's filing, claiming a change in a DEM allocator as exogenous, comply with Section 61.45(d)?

<u>Response</u>

U S WEST believes that it has fully complied with both Section 61.45(d) of the Commission's rules which requires LECs to treat separations changes as exogenous costs and Section 36.125 which contains procedures for reallocating investment in Local

In its Reply to petitions U S WEST provided a detailed explanation of how both its DEM allocator and DEM exogenous cost adjustment were developed.[28] U S WEST will not repeat its earlier explanation in this Direct Case other than to reiterate that the Commission has not found U S WEST's methodology to be unreasonable in the past.[29]

In examining U S WEST's DEM exogenous cost adjustments, the Commission should not lose sight of the fact that "Separations Manual changes do not represent changes in the carrier's input costs, but only changes in the allocation of those costs between the carrier's interstate and intrastate activities."[30]

Thus, a carrier gains no advantage from exogenous treatment of DEM cost reallocations in the interstate jurisdiction unless its cost reallocations exceed its interstate rate reductions. In U S WEST's case, the results are just the opposite -- that is, over the five year transition period U S WEST's interstate rate reductions associated with DEM have outweighed its interstate cost reductions. Thus, rather than subjecting access customers

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[27](...continued) all separations changes. As such, the Part 36 separations rules control and must be followed, even though a forecast of a future condition was required. See 47 C.F.R. § 36.125.

[28]See U S WEST Trans. 345 Reply at 16-18 and Attachments 1-3.

[29]See In the Matter of Annual 1991 Access Tariff Filings, 6 FCC Rcd. 3792, 3796-97 ¶¶ 34, 37 (1991).

[30]In the Matter of Policy and Rules Concerning Rates for Dominant Carriers, Report and Order and Second Further Notice of Proposed Rulemaking, 4 FCC Rcd. 2873, 3011 ¶ 280 (1989).

to unreasonably high rates, U S WEST's DEM methodology has given its access customers a rate reduction of $5.6 million more than would have been expected under the Commission's price cap rules.

In order to demonstrate this and to provide the Commission with further assurance of the reasonableness of U S WEST's methodology, U S WEST has constructed three exhibits. These exhibits are contained in Attachment 3 and demonstrate that U S WEST's interstate rates (i.e., Annual Filing Revenue Requirement Change) have been reduced by $104.3 million due to DEM adjustments over the five year transition period while interstate costs (i.e., Actual Interstate Revenue Requirement Change) have declined by $98.6 million -- a difference of $5.6 million. The net result of U S WEST's methodology is that it reduced rates earlier and to a greater extent than would have been anticipated under the Commission's price cap rules.

Issue

Should Bell Atlantic be permitted to exclude end user charge revenues from the common line basket for the purposes of computing sharing obligations?

Response

Bell Atlantic and other price cap LECS should be allowed to allocate sharing amounts in any "cost-causative" manner. U S WEST agrees that the price cap rules require LECS to apportion sharing amounts and other exogenous cost changes on a cost-causative basis.[31] However, in adopting this requirement, the Commission did not specify a particular method for reflecting cost causation.[32] U S WEST also agrees that in the 1992 Annual Access Charge Order,[33] the Common Carrier Bureau required LECs to allocate sharing adjustments to all price cap baskets "based on the proportion of total revenue in each basket to total interstate revenue."[34] The issue of whether the Bureau's "adoption of a single methodology represents an unreasonably narrow interpretation of the Commission's cost-causation requirement" is currently the subject of reconsideration.[35] U S WEST urges the Commission to resolve this issue prior to the completion of the instant tariff investigation and find that LECs may use any cost-causative method for apportioning sharing amounts.

Issue

Has U S WEST properly reallocated GSF costs in accordance with the GSF Order?

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[31] 47 C.F.R. § 61.45(d)(4).

[32] See LEC Price Cap Order, 5 FCC Rcd. at 2689 ¶ 113.

[33] See 1992 Annual Access Tariff Filings, 7 FCC Rcd. 4731 (1992) ("1992 Annual Access Charge Order").

[34] Id. at 4733 ¶ 5.

[35] See Petition for Partial Reconsideration of U S WEST, CC Docket No. 92-141, filed July 22, 1992, at 2 (citation omitted).

Response

On May 19, 1993, the Commission released its GSF Order[36] which modified Section 69.307(b) of its rules[37] to include common line investment in the formula for allocating GSF investment and related expenses. The Commission also concluded that since "the decision to reallocate the GSF costs lies outside the LECs' control," exogenous cost treatment under price cap regulation would be appropriate.[38]

On June 17, 1993, U S WEST filed Transmittal No. 369 to reallocate GSF costs in compliance with the Commission's GSF Order. Transmittal No. 369 reallocated GSF costs on the basis of revised Section 69.307(b). The amounts reallocated were treated as exogenous costs under Section 61.45(d) and relevant PCIs and SBIs were revised in accordance with Section 61.47(e). U S WEST's Transmittal No. 369 fully complies with the requirements of the Commission's GSF Order.

Issue

> To what category or categories should the LIDB per query charges be assigned?

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[36] GSF Order, 8 FCC Rcd. 3697 (1993).

[37] 47 C.F.R. § 69.307(b).

[38] GSF Order, 8 FCC Rcd. at 3700-01 ¶ 16.

Response

U S WEST believes that its current assignment of LIDB per query charges to the Local Transport Service Category in the Traffic Sensitive Basket is the most appropriate assignment given the characteristics of these charges. LIDB per query service uses LEC common channel signaling networks. Common channel signaling services have been assigned to the Local Transport Category since these services are considered to be an adjunct to the transport of feature groups. U S WEST believes that LIDB per query charges should be treated in a similar manner.

III. CONCLUSION

As the foregoing demonstrates, TBO costs should be given exogenous cost treatment under the Commission's price cap rules. U S WEST has also shown that its DEM allocator complies with Section 61.45(d) of the Commission's rules and it has properly reallocated GSF costs. As such, the Commission should terminate its investigation and allow Transmittal Nos. 345 and 369 to remain in effect as filed.

Respectfully submitted,

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July 27, 1993

ATTACHMENT 1

U S WEST COMMUNICATIONS
WORKFORCE AGE AS OF 1/1/92
MANAGEMENT EMPLOYEES

AGE NEAREST BIRTHDAY	YEARS OF SERVICE 0-4	5-9	10-14	15-19	20-24	25-29	30-34	Over 34	Total
15-19	2								2
20-24	57	1							58
25-29	225	174	30						429
30-34	247	424	669	93					1,433
35-39	223	382	1,074	1,051	249				2,979
40-44	200	299	673	1,219	2,413	227			5,031
45-49	128	201	318	483	1,622	1,103	44		3,899
50-54	43	79	116	136	329	523	252	36	1,514
55-59	13	27	58	34	43	67	110	155	507
60-64	13	7	4	7	8	12	11	50	112
OVER 64	1	1	1		2	1	1	3	10
TOTAL	1,152	1,595	2,943	3,023	4,666	1,933	418	244	15,974

AVERAGE AGE = 42.5 AVERAGE SERVICE = 17.0

U S WEST COMMUNICATIONS
WORKFORCE AGE AS OF 1/1/92
NON-MANAGEMENT EMPLOYEES

AGE NEAREST BIRTHDAY	YEARS OF SERVICE 0-4	5-9	10-14	15-19	20-24	25-29	30-34	OVER 34	TOTAL
15-19	53								53
20-24	794	50							844
25-29	796	262	139						1,197
30-34	756	327	3,090	349					4,522
35-39	757	223	3,237	3,362	602				8,181
40-44	624	192	1,676	3,062	4,649	381			10,584
45-49	385	84	796	1,188	3,087	1,919	136		7,595
50-54	176	42	403	557	1,005	1,159	525	83	3,950
55-59	65	17	221	413	439	302	266	553	2,276
60-64	35	12	140	156	155	87	52	286	923
OVER 64	5	1	31	22	15	8	4	17	103
TOTAL	4.446	1.210	9.733	9.109	9.952	3.856	983	939	40.228

U S WEST Communications
1992 Actuarial Study of Expense
Under SFAS No. 106

Exhibit 2

ANNUAL RATES OF RETIREMENT ON SERVICE PENSION -- MALE EMPLOYEES

MANAGEMENT

Service in Years t	Rates of Separation During Year t + ½ to t + 1½ For Employees Entering Service at Specimen Ages							
	15	20	25	30	35	40	45	50
14								.5000
15								.3000
16								.3000
17								.3000
18								.3000
19					.0600	.0860	.5000	.9903
20					.0360	.0500	.3000	
21					.0320	.1350	.3000	
22					.0340	.2110	.3000	
23					.0410	.1680	.3000	
24			.0160	.0310	.0630	.5000	.9903	
25			.0150	.0260	.0720	.3000		
26			.0160	.0340	.1860	.3000		
27			.0180	.0460	.2610	.3000		
28			.0210	.0610	.2180	.3000		
29	.0130	.0130	.0340	.0970	.5000	.9903		
30	.0120	.0130	.0410	.1260	.3000			
31	.0120	.0180	.0480	.2350	.3000			
32	.0120	.0220	.0630	.3070	.3000			
33	.0140	.0240	.0810	.2640	.3000			
34	.0150	.0530	.1170	.5000	.9903			
35	.0160	.0620	.1610	.3000				
36	.0190	.0710	.2700	.3000				
37	.0240	.0900	.3400	.3000				
38	.0270	.1100	.2890	.3000				
39	.0740	.1480	.5000	.9903				
40	.0850	.1960	.3000					
41	.0950	.3030	.3000					
42	.1140	.3620	.3000					
43	.1420	.2970	.3000					
44	.1800	.5000	.9903					
45	.2200	.3000						
46	.3260	.3000						
47	.3740	.3000						
48	.3030	.3000						

U S WEST Communications
1992 Actuarial Study of Expense
Under SFAS No. 106

Exhibit 2
(continued)

ANNUAL RATES OF RETIREMENT ON SERVICE PENSION -- FEMALE EMPLOYEES

MANAGEMENT

Service in Years	Rates of Separation During Year t + ½ to t + 1½ For Employees Entering Service at Specimen Ages

U S WEST Communications
1992 Actuarial Study of Expense
Under SFAS No. 106

Exhibit 2
(continued)

ANNUAL RATES OF RETIREMENT ON SERVICE PENSION -- MALE EMPLOYEES

NON-MANAGEMENT

Service in Years t	Rates of Separation During Year t + ½ to t + 1½ Per Employees Entering Service at Specimen Ages							
	15	20	25	30	35	40	45	50
14								.5000
15								.3000
16								.3000
17								.3000
18								.3000
19					.0550	.0900	.5000	.9903
20					.0420	.0650	.3000	
21					.0300	.2090	.3000	
22					.0330	.2790	.3000	
23					.0410	.2060	.3000	
24			.0160	.0330	.0440	.5000	.9903	
25			.0150	.0260	.0560	.3000		
26			.0160	.0280	.2270	.3000		
27			.0170	.0360	.2930	.3000		
28			.0190	.0430	.2200	.3000		
29	.0210	.0230	.0320	.0500	.5000	.9903		
30	.0180	.0195	.0390	.0700	.3000			
31	.0195	.0270	.0430	.2540	.3000			
32	.0210	.0345	.0460	.3190	.3000			
33	.0225	.0390	.0540	.2350	.3000			
34	.0255	.0460	.0670	.5000	.9903			
35	.0270	.0530	.0880	.3000				
36	.0315	.0590	.2850	.3000				
37	.0375	.0640	.3540	.3000				
38	.0405	.0730	.2520	.3000				
39	.0520	.0910	.5000	.9903				
40	.0580	.1080	.3000					
41	.0620	.3300	.3000					
42	.0680	.3930	.3000					
43	.0790	.2720	.3000					
44	.0980	.5000	.9903					
45	.1160	.3000						
46	.3510	.3000						
47	.4110	.3000						
48	.2830	.3000						
49	.5000	.9903						
50	.3000							
51	.3000							

U S WEST Communications
1992 Actuarial Study of Expense
Under SFAS No. 106

Exhibit 2
(continued)

ANNUAL RATES OF RETIREMENT ON SERVICE PENSION -- FEMALE EMPLOYEES

NON-MANAGEMENT